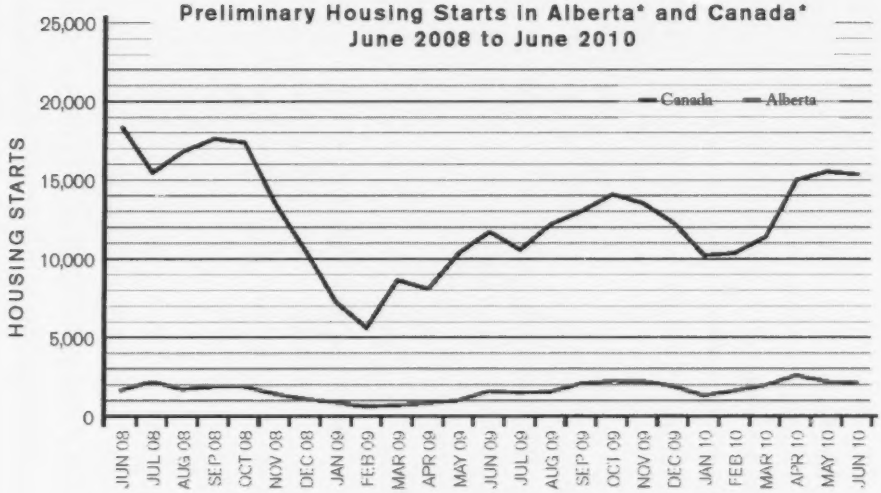
July 2010

Housing Bulletin Monthly Report

HOME BUILDING PLATEAUS as CONSTRUCTION STARTS FALL



- Canada's total preliminary housing starts for June 2010 were up 3.5 per cent over May 2010 and 31.3 per cent over June 2009.
- However, the Deputy Chief Economist of the Bank of Montreal, notes that while spring and summer are generally the busiest building seasons of the year, construction is expected to slow markedly as a result of cooling demand in Canada's housing market (The Canadian Press, July 8, 2010).
- Alberta's June 2010 preliminary housing starts decreased 2.8 per cent over May 2010, but are 33.9 per cent higher than June 2009.
- Preliminary single-detached starts in Alberta were up 68 per cent over June 2009. According to Canada Mortgage and Housing Corporation, this marks the twelfth consecutive month of increases in single-detached starts on a year-over-year basis.

* Data reflects centres with a population of 10,000 and over only.
Source: Canada Mortgage and Housing Corporation

ISSUE HIGHLIGHTS

Housing Starts
Home construction dipped in May, but showed year-over-year gains.
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Migration
Alberta reverses negative migration trend.
Page 5

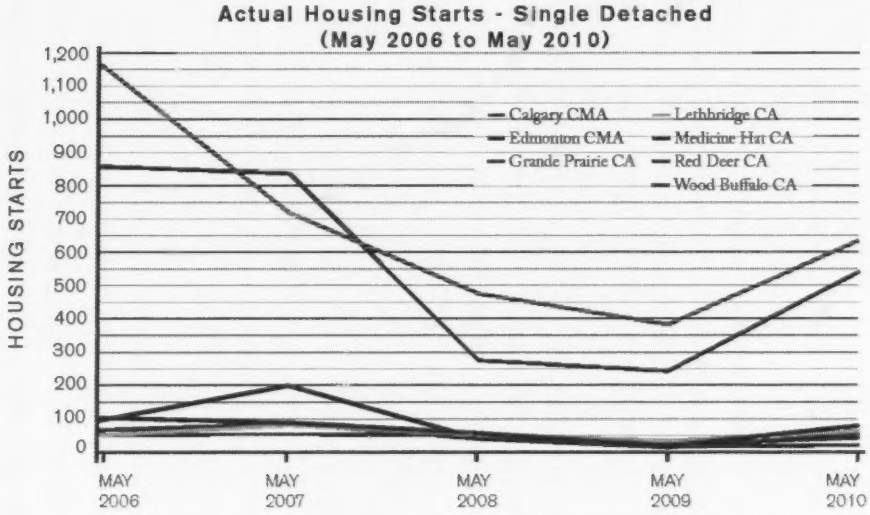
New Home Prices
New home prices show upward trend.
Page 6

Sliding housing starts eclipse 2009 numbers, but analysts predict a subdued market for remainder of 2010

(CALGARY HERALD, JULY 10, 2010).

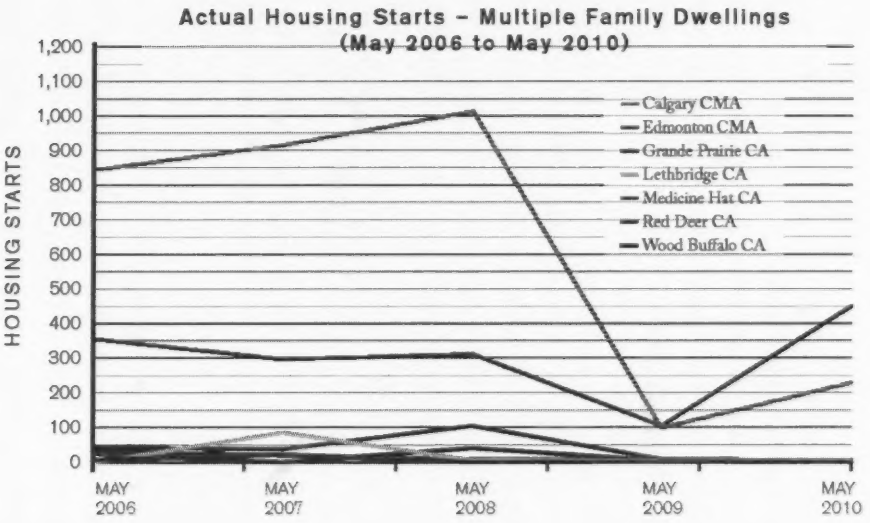
ORPORATION) After a robust start to 2010, the pace of housing start activity is expected to moderate by year-end (CANADA MORTGAGE AND HOUSING CORPORATION). After a robust start to 20

HOUSING STARTS RECOVERING ... FOR NOW



- From May 2009 to May 2010, housing starts for single-detached homes increased 123.1 per cent in Edmonton and 66 per cent in Calgary.
- Grande Prairie experienced the largest year-over-year increase in single-family starts from 20 new homes in May 2009 to 79 in May 2010.
- May 2010 was one of the first months in 2010 when no year-over-year declines in housing starts were reported.
- The outlook for the second half of 2010 is not as optimistic. According to a June 9, 2010 article in the *Calgary Herald*, the pace of residential construction will slow as higher mortgage rates, tighter lending rules, and more homes on the market dampen home building activity.

Source: Canada Mortgage and Housing Corporation

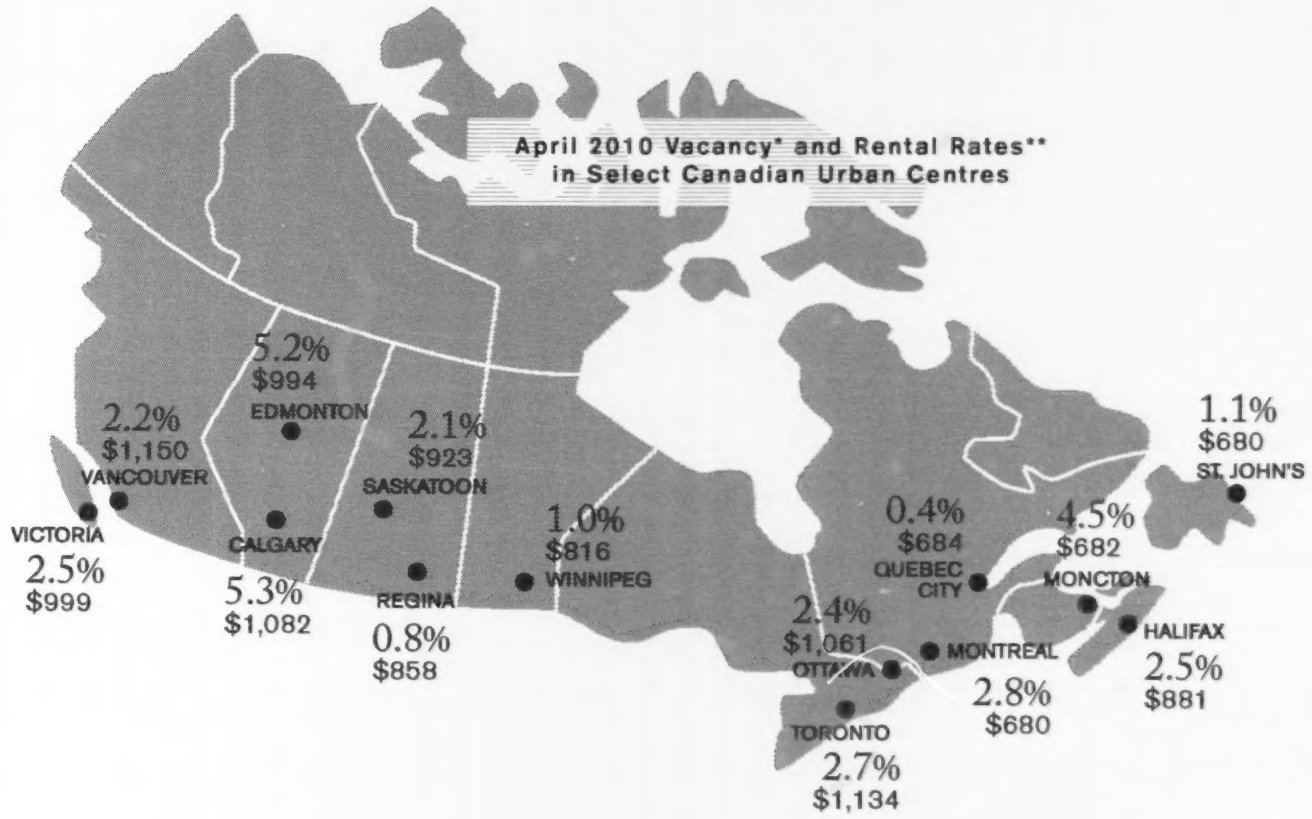


- Overall, construction of multi-family dwellings increased 202.2 per cent from May 2009 to May 2010 across Alberta's major centres. The largest jump in multi-family starts occurred in Edmonton, where starts rose from 104 starts in May 2009 to 449 starts in May 2010, an increase of 331.7 per cent.
- Declines in starts were recorded from May 2009 to May 2010 in Grande Prairie (-100 per cent) from 2 starts to 0, Lethbridge (-33.3 per cent), Medicine Hat (-25 per cent) and Red Deer (-50 per cent).
- Economists have widely predicted a slowdown in the housing market in the second half of 2010.

Source: Canada Mortgage and Housing Corporation

K OF MONTREAL) May's results were in-line with expectations and support the view that Canadian housing activity has likely peaked for the time being (BANK OF MONTREAL). May's results were in-line with

CALGARY AND EDMONTON the HAVE HIGHEST VACANCY RATES AMONG CANADA'S LARGE CITIES***



- Overall, apartment rental vacancy rates across Canada's 35 major Census Metropolitan Areas (CMAs) increased from 2.7 per cent in April 2009 to 2.9 per cent in April 2010.
- Of the fourteen centres presented in the chart above, Victoria registered the largest vacancy increase from 1.2 per cent in April 2009 to 2.5 per cent in April 2010 – an increase of 108.3 per cent.
- In April 2010, Calgary and Edmonton had higher vacancy rates than most*** other CMAs in Canada.
- Average monthly rental rates fell in Edmonton (-6.1 per cent), Calgary (-2.2 per cent), and Victoria (-4.2 per cent) but increased in the remaining eleven centres or CMAs.

* Average vacancy rates includes all unit types (i.e., Bachelor, 1-Bedroom, 2-Bedroom and 3-Bedroom+).
** Average monthly rental rate for a 2-Bedroom apartment.
*** Other smaller Canadian CMAs not presented (Windsor and Peterborough, Ontario and Abbotsford, British Columbia) had higher vacancy rates than Calgary and Edmonton.
Source: Canada Mortgage and Housing Corporation (CMHC).

per cent) by Fall 2010 (CMHC) Vacancy rates expected to drop in Calgary (to 3.5 per cent) and Edmonton (to 3.7 per cent) by Fall 2010 (CMHC). Vacancy rates expected to drop in Calgary (to

HIGH INVENTORIES soften EDMONTON MARKET

YEAR-TO-YEAR COMPARISON OF HOUSING RESALE ACTIVITY IN EDMONTON IN THE MONTH OF JUNE

	AVERAGE PRICE							
	Single-Family Dwelling	Condominium	Duplex / Rowhouse	Days on the Market	Residential Listings	Residential Sales	Monthly Sales to Listings Ratio	Average Year to Date Sales to Listings Ratio
Jun 06	$300,082	$187,800	$238,054	23	2,444	2,148	87	91
Jun 07	$419,965	$267,113	$342,920	24	4,958	2,077	41	64
Jun 08	$383,062	$261,804	$311,782	54	3,952	1,810	45	39
Jun 09	$370,317	$247,733	$289,838	51	3,147	2,448	77	56
Jun 10	$391,497	$242,644	$306,905	47	3,473	1,539	44	46

- The average price of a single-family dwelling in Edmonton increased 5.7 per cent from June 2009 to June 2010. Over the same period, the average price fell 2.3 per cent for a condominium and increased 5.9 per cent in the duplex and rowhouse sector.
- Listings in June 2010 increased 10.4 per cent over June 2009, while sales were down 37.1 per cent. According to the Realtors' Association of Edmonton, external influences increased sales activity in the first four months of 2010, resulting in reduced demand in May and June.
- A home in Edmonton sat on the market for an average of 47 days in June 2010, a decrease of 7.8 per cent over June 2009 but up 6.8 per cent over May 2010. With the increase in listings and choice on the market, buyers seem to be taking a calmer and less hurried approach to entering the housing market.

Source: Realtors' Association of Edmonton

CALGARY PRICES HOLD STEADY - but SMALL DECLINE is LIKELY

YEAR-TO-YEAR COMPARISON OF HOUSING RESALE ACTIVITY IN CALGARY IN THE MONTH OF JUNE

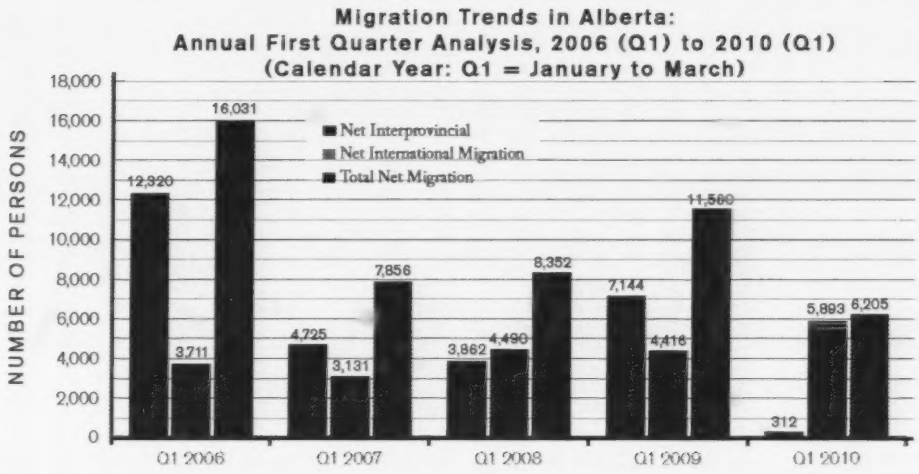
	SINGLE-FAMILY DWELLING					CONDOMINIUM				
	Average Price	Month End Inventory	New Listings Added	Sales	Days on the Market	Average Price	Month End Inventory	New Listings Added	Sales	Days on the Market
Jun 07	$496,890	4,443	3,313	1,757	29	$323,269	1438	1,253	792	28
Jun 08	$473,774	6,543	2,787	1,439	46	$315,042	3,093	1,234	556	51
Jun 09	$447,142	3,395	2,244	1,337	44	$285,595	1,744	927	738	51
Jun 10	$481,964	5,991	2,733	1,061	39	$292,238	2,626	1,084	445	46

- The number of single-family Calgary homes sold in June 2010 fell 42.2 per cent compared to June 2009, while prices were up 7.8 per cent.
- Listings for single-family homes increased 21.8 per cent from June 2009 to June 2010 and were down moderately (7.8 per cent) from May 2010 to June 2010.
- The average price for both single-family and condominium homes in Calgary fell from May 2010 to June 2010 (0.26 per cent and 4.1 per cent respectively).
- Condominium sales fell by 39.7 per cent from June 2009 to June 2010. The average price for a condominium in Calgary was $292,238 in June 2010, 9.6 per cent below the peak price of 2007 ($323,269).

Source: Calgary Real Estate Board

STATE BOARD) Calgary's home sales are moderating in the face of higher mortgage rates, increasing inventories and decreasing numbers of first time homebuyers (CALGARY REAL ESTATE BOARD). Calgary's ho

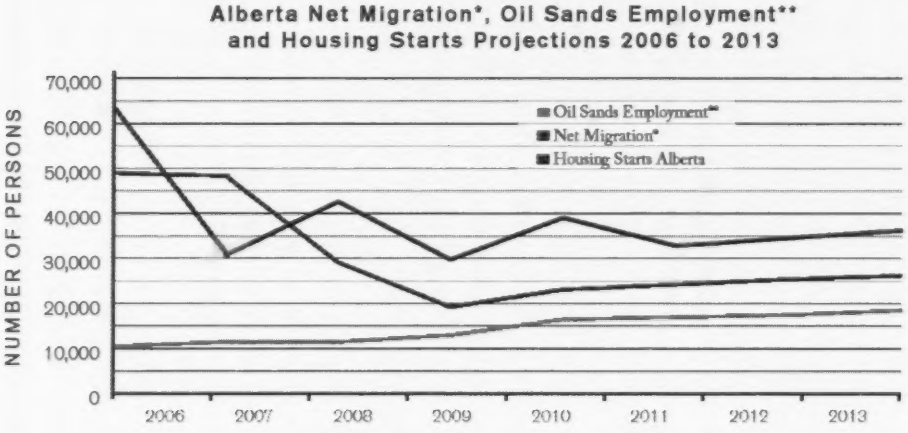
FEWER NEWCOMERS to ALBERTA from OTHER PROVINCES



- After two consecutive quarters of net losses, Alberta attracted a net inflow of 312 interprovincial migrants during the first quarter of 2010. This remains well below the net inflow seen during Q1 of recent years, which has ranged from a low of 3,862 (2008) to a high of 12,320 (2006).
- International migration to Alberta remained strong in Q1 2010, with a net 5,893 international immigrants moving to Alberta. This represents a 33 per cent increase over Q1 2009.
- Ontario contributed the most to Alberta's net interprovincial growth in migration with 555 Ontario residents relocating to Alberta. Losses in interprovincial migration were largely to British Columbia (-542) and Saskatchewan (-415).

Source: Alberta Finance and Enterprise.

ANALYSTS PREDICT LABOUR SHORTAGE in the OIL and GAS SECTOR

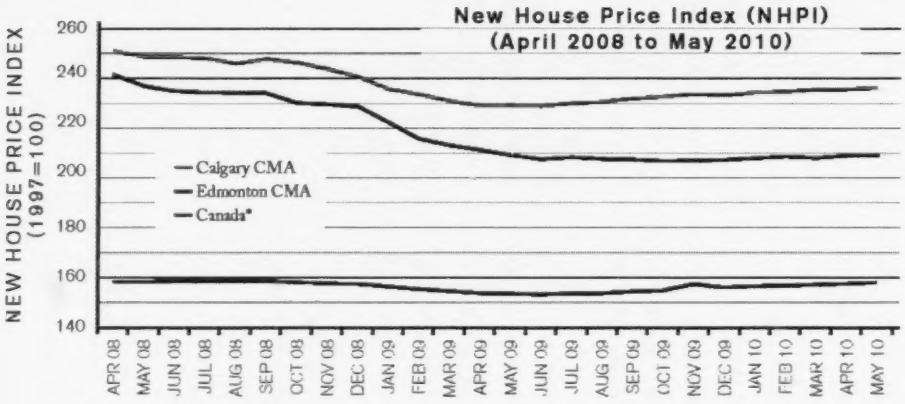


- According to projections developed by the Petroleum Human Resources Council of Canada (Petroleum HR Council), approximately 13,000 additional workers will be required by producers in the sector to meet the industry's projected growth by 2020. Increasing development in the oil sands industry and an aging workforce are key contributors to the sector's growing workforce requirements.
- Net migration in Alberta is projected to decrease slightly over the next three years from both international sources and other provinces. According to the Petroleum HR Council, interprovincial migration will be vital in meeting the labour demands of the oil and gas sector, with estimates as high as 100 per cent of the oil and gas workforce coming from migrants.

* Net migration numbers are obtained from Alberta Finance and Enterprise projections.
** Oil Sands Employment projections obtained from Petroleum HR Council Petroleum Labour Market Information - Supply/Demand Analysis 2009-2020.
Sources: Alberta Finance and Enterprise and Petroleum Human Resources Council of Canada.

JUNE 19, 2010) Rising oil prices have contributed to increased investment in the energy sector, further stabilizing employment and encouraging job growth (CALGARY HERALD, JUNE 19, 2010). Rising oil prices have

NEW HOME PRICES EXPECTED to RECOVER in 2010 AND 2011



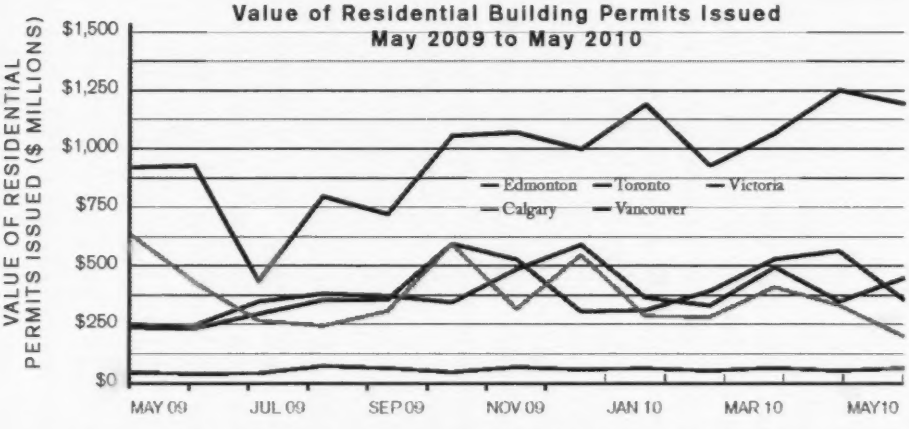
- The New House Price Index (NHPI) measures changes over time in contractors' selling price of newly built homes.
- Across Canada, new house prices rose by 0.3 per cent from April 2010 to May 2010 and by 2.9 per cent from May 2009 to May 2010. Builders in all five Prairie Census Metropolitan Areas (CMAs) surveyed reported higher construction material costs as contributing to rising NHPI levels.

- Both Edmonton and Calgary have seen new home prices trending up in the first half of 2010 after spending much of the past two years below 2007 levels.
- According to Todd Hirsch with ATB Financial, the price of new homes is likely to stabilize or even slip somewhat in the coming months (*Edmonton Journal*, July 9, 2010).

* Total value including house and land.

Source: Statistics Canada

BUILDING PERMITS FORESHADOW DIP in CALGARY CONSTRUCTIONS (*Calgary Herald*, July 7, 2010)



- Construction activity in Alberta is expected to slip in the coming months, judging by the permit values in May 2010 (*Calgary Herald*, July 7, 2010).
- Residential permits issued in Alberta in May 2010 totalled $588.3 million, an increase of 68.8 per cent over May 2009. From April 2010 to May 2010, however, the value of residential permits issued in Alberta fell 8.1 per cent.
- Edmonton CMA building permits have remained strong year-over-year, with an increase of 51.8 per cent from May 2009 to May 2010.

- The Calgary CMA issued building permits worth $200.4 million in May 2010, down 68.2 per cent from May 2009 and 39.8 per cent from the previous month.
- British Columbia countered the declining trend with an increase of 28.6 per cent in the total value of permits issued in Vancouver and 19.4 per cent in Victoria. According to the Canadian Home Builders' Association Victoria, the strong summer start to construction was expected as the introduction of the Harmonised Sales Tax created an incentive to get projects underway.

Sources: Statistics Canada

is falling (TD ECONOMICS) The falling value in building permits shouldn't be seen as an indicator that the sky is falling (TD ECONOMICS). The falling value in building permits shouldn't be seen as an ind